



Award Term

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Award Term



**The Reward for Doing a Good Job in
Private Industry is Continuing the
Business Relationship...**

**...Why Can't the Government
Do the Same?**



Outline



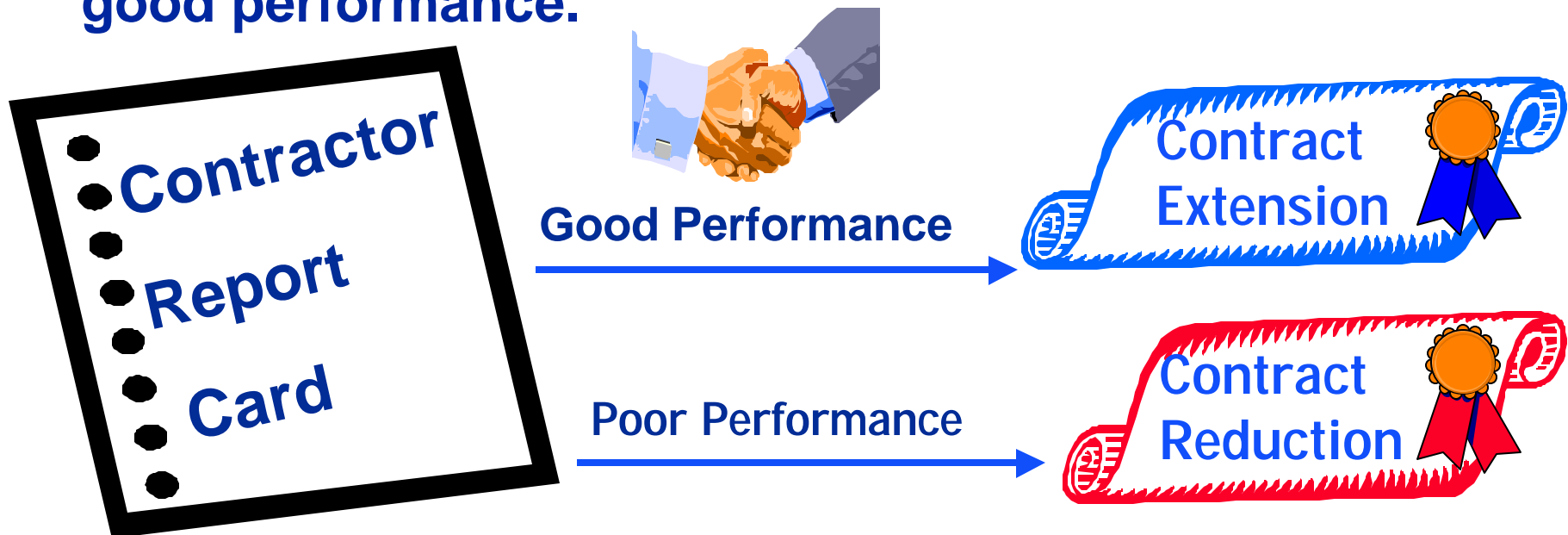
- **Award Term Definition**
- **Benefits**
- **Applications & Restrictions**
- **Examples**
- **Challenges**
- **AFMC Draft AFFARS Language**
- **Summary**



Definition of Award Term



Derivative concept of award fee contracts where the contractor, instead of earning fee for performance as in award fee contracts, earns additional periods of performance without having to compete for the award. Award term provisions provide a method of fostering long-term relationships and rewarding good performance.





Benefits



- **Maintain Long-Term Relationship with Quality Contractors**
- **Facilitates Process Improvements and/or Capital Investments Which May Result in Lower Future Prices**
- **Contract Term Extension or Reduction Based on Contractor Performance**
- **Value Exceeds Administrative Effort**



Applications & Restrictions



- **Applications**
 - Single Award IDIQ & Requirements, Task Order Type Contracts
 - Competitive Acquisitions
- **Restrictions**
 - Service Contract Act



Examples



- **San Antonio Air Logistics Center (ALC)**
 - Propulsion Business Area Privatization Contract
- **Sacramento ALC**
 - Depot Maintenance Workload Contract
- **Aeronautical Systems Center (ASC)**
 - 3 Mission Training Center Contracts
 - » AWACS
 - » F-15
 - » F-16
- **HQ Air Intelligence Agency**
 - Mobile Sensor Platforms Contract



San Antonio ALC



Propulsion Business Area Privatization Contract

- **Firm-Fixed Price, Requirements**
- **Total Contract Value: \$10.164B**
- **Contract Term 5 to 15 Years**
 - Initial Ordering Period is 7 Years
 - Excellent Contractor Performance Can Increase Contract Term Up to a Maximum of 15 Years
 - Can Be Reduced to 5 Years Due to Marginal or Poor Performance



Sacramento ALC



Depot Maintenance Workload Contract

- **Firm-Fixed Price, Requirements**
- **Total Contract Value: \$1.580B**
- **Contract Term 5 to 8 Years**
 - Initial Ordering Period is 5 Years
 - Excellent Contractor Performance Can Increase Contract Term Up to a Maximum of 8 Years
 - No Term Reduction Provision for Marginal or Poor Performance



ASC Mission Training Center



F-15 Multi-Stage Improvement Program Four-Ship Simulator Program and Aerial Combat Enhanced Simulation Center

- **FAR Part 12 Commercial, IDIQ Contract**
- **Total Contract Value: \$574M**
- **Contract Term 5 to 15 Years**
 - Initial Ordering Period is 7 Years
 - Excellent Contractor Performance Can Increase Contract Term Up to a Maximum of 15 Years
 - Can Be Reduced to 5 Years Due to Marginal or Poor Performance



HQ Air Intelligence Agency



Mobile Sensor Platforms Operations & Maintenance and Modernization Contract

- **Multiple Pricing Arrangement (FFP, CPFF, CR) Requirements Contract**
- **Estimated Contract Value: \$125M**
- **Contract Term 5 to 10 Years**
 - **Base Year Plus Four Option Years**
 - **Excellent Contractor Performance Can Earn Opportunity for up to Five Additional Option Years**



Award Term Plan Development



- **Develop Award Term Plan the Same as Award Fee Plan**
 - Define Grades to be Used, Categories of Performance, Evaluation Criteria, etc.
 - Include Award Term Plan in Draft and Final RFP
- **TDO:**
 - PEO or DAC for PEO/DAC Programs
 - Center Commander for Other Contracting Actions



SA-ALC Award Term Evaluation Process



- **Performance Monitors Submit Their Evaluations to ATRB**
- **Contractor Submits Its Self-Assessment**
- **ATRB Scores Each Evaluation Area on a -/+100 Point Scale**
- **Weighted Average Score Is Calculated**
- **ATRB Recommends Award Points to TDO**
- **TDO Determines Earned-Award-Term Points and Notifies Contractor**
- **PCO Issues Contract Modification**



SA-ALC Award Term Evaluation Process



<u>RATING</u>	<u>SCORE</u>
Unsatisfactory	-1 to -100
Satisfactory	0 to + 70
Excellent	+71 to +100



SA-ALC Evaluation Criteria Weighting



EXAMPLE

<u>Criteria</u>	<u>(%)</u>
Schedule	30
Product Quality	30
Small Business	10
Affordability	30



SA-ALC Evaluation Criteria Weighting



EXAMPLE

<u>Criteria</u>	<u>Score</u>	<u>Weight</u>	<u>Weighted Score</u>
Schedule	98	30%	29
Product Quality	70	30%	21
Small Business	60	10%	6
Affordability	57	30%	17
TOTAL SCORE			73

ATRB Recommends 73 Award Points
TDO Awards 75 Points



Implementation Challenges



- **Understanding Market and Acquisition Situation for Application**
 - Communication with Industry
 - Contract Length
 - Terminations
 - Other Business Aspects
- **Determining Fair and Reasonable Price**
- **Application Across Contract Types' Spectrum**
- **Training**



AFMC Draft AFFARS Language



- **Incentive Term Extension: Rewards Above Average Performance with Long-Term Relationship**
- **Two Types**
 - Award Term
 - Incentive Option



AFMC Draft AFFARS Language



AWARD TERM

- **Draft Language is similar to FAR 16 Award Fee Language**
- **Contract Term Extended or Reduced Based on Periodic Gov't Evaluation**
- **Evaluation**
 - Award Term Plan
 - Award Term Review Board
 - Term Determining Official
- **Contract Specifies**
 - Initial Contract Term
 - Maximum/Minimum Performance Period
 - Total Price for Maximum Performance Period



AFMC Draft AFFARS Language



INCENTIVE OPTION

- **Above Average Contractor Performance Earns Eligibility for Additional Option Years**
- **Contractor Performance is Measured Using CPARS Data**
- **Exercise of Additional Option Years Subject to Criteria in FAR 17.207**



AFMC Draft AFFARS Language



- **AFMC FAR Case 2000-03, AFFARS 5317, Incentive Term Extension**
- **Available at:**
 - **www.afmc-mil.wpafb.af.mil/HQ-AFMC/PK/pkp/farsec/farcase.htm**



Summary



- **PK Perspective on**
 - **Benefits of Long-Term Contractual Relationship**
 - **Our Experiences**
 - **Challenges**
 - **AFFARS Language**
- **New Tool for the Acquisition Toolbox**